THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) to (c) Modalities for setting up the Central Road Fund in line with the announcement made by Finance Minister in the Budget Speech for Budget 1999-2000 are being worked out.

Government Equity below 51 per cent in Public Sector Banks

134. SHRI C. RAMACHANDRAIAH:
DR. ALLADI P. RAJKUMAR:

Will the Minister of FINANCE be pleased to state:

(a) whether Government propose to bring down Government equity below 51 per cent in the public sector banks;

(b) if so, the reasons for change in the policy; and

(c) the manner in which Government would be ensured to safeguard investments of general masses?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) and (b) The Committee on Financial Sector Reforms (Narasimham Committee-II) had observed that the Indian banks, by and large, are not sufficiently capitalised and further capital enhancement would be necessary for the larger Indian banks and especially those which wish to have an international presence. The Committee has therefore observed that with the competing demands on the budget for investment in areas like infrastructure and social services, Government cannot continue to indefinitely provide capital to public sector banks. The Committee has further suggested that the public sector banks should be encouraged to raise capital from the market and minimum shareholding by the Government and the Reserve Bank of India in the equity of nationalised banks and the State Banks of India should be brought down to 33 per cent respectively. The recommendations of the Committee are under examination.

(c) Safeguarding the interest of all stakeholders has to be ensured through appropriate regulation and supervision and does not necessarily emanate from Government control.